

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

|  |                               |   |                   |
|--|-------------------------------|---|-------------------|
| Local Unit of Government Type<br><input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other |                               | Local Unit Name<br>Township of Tekonsha               | County<br>Calhoun |
| Fiscal Year End<br>March 31, 2008  | Opinion Date<br>June 19, 2008 | Date Audit Report Submitted to State<br>June 25, 2008 |                   |

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**YES NO** Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

|  |                                     |  |             |
|--|-------------------------------------|--|-------------|
| <b>We have enclosed the following:</b>   | Enclosed                            | Not Required (enter a brief justification) |             |
| Financial Statements   | <input checked="" type="checkbox"/> |  |             |
| The letter of Comments and Recommendations   | <input checked="" type="checkbox"/> |  |             |
| Other (Describe)   | <input type="checkbox"/>            | N/A  |             |
| Certified Public Accountant (Firm Name)<br>Campbell, Kusterer & Co., P.C.  |                                     | Telephone Number<br>989-894-1040           |             |
| Street Address<br>512 N. Lincoln, Suite 100, P.O. Box 686  |                                     | City<br>Bay City                           | State<br>MI |
| Zip<br>48707   |                                     |  |             |
| Authorizing CPA Signature<br> | Printed Name<br>Mark J. Campbell    | License Number<br>1101007803               |             |

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

June 19, 2008

To the Township Board  
Township of Tekonsha  
Calhoun County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Tekonsha, Calhoun County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Tekonsha's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Tekonsha, Calhoun County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Tekonsha covers the Township's financial performance during the year ended March 31, 2008.

**FINANCIAL HIGHLIGHTS**

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$927,263.66 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$364,851.04 from governmental activities. Governmental activities had a \$12,017.00 increase in net assets.

We did not incur any new debt.

**OVERVIEW OF FINANCIAL STATEMENTS**

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

**ENTITY-WIDE FINANCIAL STATEMENTS**

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, the Library Fund, the Agency Fund, and the Current Tax Collection Fund.

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan  
**CONDENSED FINANCIAL INFORMATION**  
For the year ended March 31, 2008

|                         | <u>Total</u><br><u>Governmental</u><br><u>Activities</u><br><u>2007</u> | <u>Total</u><br><u>Governmental</u><br><u>Activities</u><br><u>2008</u> |
|-------------------------|---|---|
| Current Assets          | 499 937   | 537 132   |
| Capital Assets          | <u>416 927</u>  | <u>391 363</u>  |
| Total Assets            | <u>916 864</u>  | <u>928 495</u>  |
| Current Liabilities     | 1 617   | 1 231   |
| Non-current Liabilities | <u>-</u>  | <u>-</u>  |
| Total Liabilities       | <u>1 617</u>  | <u>1 231</u>  |
| Net Assets:             |   |   |
| Invested in Capital     |   |   |
| Assets                  | 416 927   | 391 363   |
| Unrestricted            | <u>498 320</u>  | <u>535 901</u>  |
| Total Net Assets        | <u>915 247</u>  | <u>927 264</u>  |

|                        | <u>Total</u><br><u>Governmental</u><br><u>Activities</u><br><u>2007</u> | <u>Total</u><br><u>Governmental</u><br><u>Activities</u><br><u>2008</u> |
|------------------------|---|---|
| Program Revenues:      |   |   |
| Fees and Charges       |   |   |
| for Services           | 68 419  | 76 569  |
| General Revenues:      |   |   |
| Property Taxes         | 119 057   | 141 709   |
| State Revenue Sharing  | 74 803  | 74 796  |
| Interest               | 8 669   | 22 594  |
| Miscellaneous          | <u>22 840</u>   | <u>49 183</u>   |
| Total Revenues         | <u>293 788</u>  | <u>364 851</u>  |
| Program Expenses:      |   |   |
| Legislative            | 30 274  | 33 126  |
| General Government     | 86 984  | 105 239   |
| Public Safety          | 91 713  | 143 674   |
| Public Works           | 5 681   | 5 711   |
| Recreation and Culture | <u>62 732</u>   | <u>65 084</u>   |
| Total Expenses         | <u>277 384</u>  | <u>352 834</u>  |
| Increase in Net Assets | 16 404  | 12 017  |
| Net Assets, April 1    | <u>898 843</u>  | <u>915 247</u>  |
| Net Assets, March 31   | <u>915 247</u>  | <u>927 264</u>  |

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund and the Library Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services with total expenditures of \$271,291.88.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$2,483.70 in capital assets.

The Township's governmental activities paid \$0 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at 517-767-3366, or P.O. Box 91, Tekonsha, Michigan 49092.

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2008

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| ASSETS:   |                                    |
| CURRENT ASSETS:                                 |                                    |
| Cash in bank                                    | 511 942 06                         |
| Taxes receivable                                | 13 922 49                          |
| Accounts receivable                             | <u>11 267 36</u>                   |
| Total Current Assets                            | <u>537 131 91</u>                  |
| NON-CURRENT ASSETS:                             |                                    |
| Capital Assets                                  | 705 618 62                         |
| Less: Accumulated Depreciation                  | <u>(314 255 67)</u>                |
| Total Non-current Assets                        | <u>391 362 95</u>                  |
| TOTAL ASSETS                                    | <u>928 494 86</u>                  |
| LIABILITIES AND NET ASSETS:                     |                                    |
| LIABILITIES:                                    |                                    |
| CURRENT LIABILITIES:                            |                                    |
| Accounts payable                                | <u>1 231 20</u>                    |
| Total Current Liabilities                       | <u>1 231 20</u>                    |
| NON-CURRENT LIABILITIES                         | <u>-</u>                           |
| Total Non-current Liabilities                   | <u>-</u>                           |
| Total Liabilities                               | <u>1 231 20</u>                    |
| NET ASSETS:                                     |                                    |
| Invested in Capital Assets, Net of Related Debt | 391 362 95                         |
| Unrestricted                                    | <u>535 900 71</u>                  |
| Total Net Assets                                | <u>927 263 66</u>                  |
| TOTAL LIABILITIES AND NET ASSETS                | <u>928 494 86</u>                  |

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
Year ended March 31, 2008

|                                      | <u>Expenses</u>   | <u>Program<br/>Revenue</u> | <u>Governmental<br/>Activities<br/>Net (Expense)<br/>Revenue and<br/>Changes in Net<br/>Assets</u> |
|--------------------------------------|-------------------|----------------------------|--|
| <b>FUNCTIONS/PROGRAMS</b>            |                   |                            |  |
| Governmental Activities:             |                   |                            |  |
| Legislative                          | 33 126 28         | -                          | (33 126 28)  |
| General government                   | 105 238 82        | 26 310 88                  | (78 927 94)  |
| Public safety                        | 143 673 88        | 43 355 83                  | (100 318 05)   |
| Public works                         | 5 710 54          | 824 60                     | (4 885 94)   |
| Culture and recreation               | 65 084 52         | 6 077 39                   | (59 007 13)  |
| <b>Total Governmental Activities</b> | <u>352 834 04</u> | <u>76 568 70</u>           | <u>(276 265 34)</u>  |
| General Revenues:                    |                   |                            |  |
| Property taxes                       |                   |                            | 145 222 97   |
| State revenue sharing                |                   |                            | 74 796 40  |
| Interest                             |                   |                            | 22 593 79  |
| Miscellaneous                        |                   |                            | <u>45 669 18</u>   |
| <b>Total General Revenues</b>        |                   |                            | <u>288 282 34</u>  |
| <b>Change in net assets</b>          |                   |                            | 12 017 00  |
| <b>Net assets, beginning of year</b> |                   |                            | <u>915 246 66</u>  |
| <b>Net Assets, End of Year</b>       |                   |                            | <u>927 263 66</u>  |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

**BALANCE SHEET – GOVERNMENTAL FUNDS**  
March 31, 2008

|   | <u>General</u>           | <u>Library</u>          | <u>Total</u>             |
|---|--------------------------|-------------------------|--------------------------|
| <b><u>Assets</u></b>                      |                          |                         |                          |
| Cash in bank                              | 443 757 93               | 67 882 80               | 511 640 73               |
| Taxes receivable                          | 9 765 75                 | 4 156 74                | 13 922 49                |
| Accounts receivable                       | 11 267 36                | -                       | 11 267 36                |
| Due from other funds                      | 1 059 72                 | -                       | 1 059 72                 |
| <b>Total Assets</b>                       | <b><u>465 850 76</u></b> | <b><u>72 039 54</u></b> | <b><u>537 890 30</u></b> |
| <b><u>Liabilities and Fund Equity</u></b> |                          |                         |                          |
| <b>Liabilities:</b>                       |                          |                         |                          |
| Accounts payable                          | 1 231 20                 | -                       | 1 231 20                 |
| Due to other funds                        | -                        | 758 39                  | 758 39                   |
| <b>Total liabilities</b>                  | <b><u>1 231 20</u></b>   | <b><u>758 39</u></b>    | <b><u>1 989 59</u></b>   |
| <b>Fund equity:</b>                       |                          |                         |                          |
| Fund balances:                            |                          |                         |                          |
| Unreserved:                               |                          |                         |                          |
| Undesignated                              | 464 619 56               | 71 281 15               | 535 900 71               |
| <b>Total fund equity</b>                  | <b><u>464 619 56</u></b> | <b><u>71 281 15</u></b> | <b><u>535 900 71</u></b> |
| <b>Total Liabilities and Fund Equity</b>  | <b><u>465 850 76</u></b> | <b><u>72 039 54</u></b> | <b><u>537 890 30</u></b> |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 535 900 71

Amounts reported for governmental activities in the statement of  
net assets are different because –

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the governmental funds balance sheet:

|                          |                     |
|--------------------------|---------------------|
| Capital assets at cost   | 705 618 62          |
| Accumulated depreciation | <u>(314 255 67)</u> |

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 927 263 66

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
Year ended March 31, 2008

|  | <u>General</u>           | <u>Library</u>          | <u>Total</u>             |
|--|--------------------------|-------------------------|--------------------------|
| Revenues:  |                          |                         |                          |
| Property taxes                                       | 99 899 07                | 45 323 90               | 145 222 97               |
| Licenses and permits                                 | 6 544 62                 | -                       | 6 544 62                 |
| State revenue sharing                                | 73 171 40                | 1 625 00                | 74 796 40                |
| Penal fines  | -                        | 6 077 39                | 6 077 39                 |
| Charges for services:                                |                          |                         |                          |
| Fire   | 36 811 21                | -                       | 36 811 21                |
| Property tax administration                          | 15 097 88                | -                       | 15 097 88                |
| Other  | 11 213 00                | -                       | 11 213 00                |
| Interest   | 21 344 77                | 1 249 02                | 22 593 79                |
| Special assessments                                  | 824 60                   | -                       | 824 60                   |
| Miscellaneous  | 43 012 83                | 2 656 35                | 45 669 18                |
| Total revenues                                       | <u>307 919 38</u>        | <u>56 931 66</u>        | <u>364 851 04</u>        |
| Expenditures:  |                          |                         |                          |
| Legislative:   |                          |                         |                          |
| Township Board                                       | 33 126 28                | -                       | 33 126 28                |
| General government:                                  |                          |                         |                          |
| Supervisor   | 6 897 39                 | -                       | 6 897 39                 |
| Elections  | 2 720 20                 | -                       | 2 720 20                 |
| Assessor   | 15 474 28                | -                       | 15 474 28                |
| Clerk  | 12 153 95                | -                       | 12 153 95                |
| Board of Review                                      | 1 407 54                 | -                       | 1 407 54                 |
| Treasurer  | 11 620 72                | -                       | 11 620 72                |
| Building and grounds                                 | 31 577 63                | -                       | 31 577 63                |
| Cemetery   | 19 609 87                | -                       | 19 609 87                |
| Tax roll   | 1 832 64                 | -                       | 1 832 64                 |
| Public safety:                                       |                          |                         |                          |
| Fire protection                                      | 115 861 98               | -                       | 115 861 98               |
| Planning and zoning                                  | 5 975 16                 | -                       | 5 975 16                 |
| Protective inspection                                | 4 840 00                 | -                       | 4 840 00                 |
| Public works:  |                          |                         |                          |
| Drains   | 4 775 52                 | -                       | 4 775 52                 |
| Street lights  | 935 02                   | -                       | 935 02                   |
| Culture and recreation:                              |                          |                         |                          |
| Library  | -                        | 55 977 98               | 55 977 98                |
| Capital outlay                                       | 2 483 70                 | -                       | 2 483 70                 |
| Total expenditures                                   | <u>271 291 88</u>        | <u>55 977 98</u>        | <u>327 269 86</u>        |
| Excess (deficiency) of revenues<br>over expenditures | 36 627 50                | 953 68                  | 37 581 18                |
| Fund balances, April 1                               | <u>427 992 06</u>        | <u>70 327 47</u>        | <u>498 319 53</u>        |
| Fund Balances, March 31                              | <u><u>464 619 56</u></u> | <u><u>71 281 15</u></u> | <u><u>535 900 71</u></u> |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 37 581 18

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

|                      |                 |
|----------------------|-----------------|
| Depreciation Expense | (28 047 88)     |
| Capital Outlay       | <u>2 483 70</u> |

|   |                         |
|---|-------------------------|
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | <u><u>12 017 00</u></u> |
|---|-------------------------|

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of the Township of Tekonsha, Calhoun County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

**Reporting Entity**

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Tekonsha. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds

The Current Tax Collection Fund and the Agency Fund are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was 2.8315 mills, and the taxable value was \$41,990,948.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2008

**Note 1 – Summary of Significant Accounting Policies** (continued)

**Capital Assets**

Capital assets are defined by the Township as assets with an initial cost of more than \$1,500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

|                                       |             |
|---------------------------------------|-------------|
| Buildings, additions and improvements | 25-30 years |
| Furniture and equipment               | 20 years    |

**Compensated Absences (Vacation and Sick Leave)**

Employees are not allowed to accumulate vacation and sick pay.

**Post-employment Benefits**

The Township provides no post-employment benefits to past employees.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Note 2 – Budgets and Budgetary Accounting**

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.



TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 3 – Deposits and Investments**

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated three financial institutions for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

|   | <u>Carrying<br/>Amounts</u> |
|---|-----------------------------|
| Total Deposits  | <u>511 942 06</u>           |
| Amounts in the bank balances are without considering deposits in transit or uncleared checks. |                             |
|   | <u>Bank<br/>Balances</u>    |
| Insured (FDIC)  | 253 830 97                  |
| Uninsured and Uncollateralized  | <u>264 279 08</u>           |
| Total Deposits  | <u>518 110 05</u>           |

The Township did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds and the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 3 – Deposits and Investments (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

|                                 | Balance<br>4/1/07 | Additions   | Deletions | Balance<br>3/31/08 |
|---------------------------------|-------------------|-------------|-----------|--------------------|
| <u>Governmental Activities:</u> |                   |             |           |                    |
| Land                            | 10 000 00         | -           | -         | 10 000 00          |
| Buildings                       | 280 000 00        | -           | -         | 280 000 00         |
| Equipment                       | 413 134 92        | 2 483 70    | -         | 415 618 62         |
| Total                           | 703 134 92        | 2 483 70    | -         | 705 618 62         |
| Accumulated Depreciation        | (286 207 79)      | (28 047 88) | -         | (314 255 67)       |
| Net Capital Assets              | 416 927 13        | (25 564 18) | -         | 391 362 95         |

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2008

**Note 8 – Building Permits**

As of March 31, 2008, the Township had building permit revenues of \$6,544.62 and building permit expenses of \$4,840.00.

**Note 9 – Budget Variances**

During the fiscal year ended March 31, 2008, Township expenditures exceeded the budgeted amounts in the activities as follows:

|                        | <u>Total<br/>Budget</u> | <u>Total<br/>Expenditures</u> | <u>Excess<br/>Expenditures</u> |
|------------------------|-------------------------|-------------------------------|--------------------------------|
| General Fund Activity: |                         |                               |                                |
| Building and grounds   | 15 900 00               | 31 577 63                     | 15 677 63                      |
| Fire protection        | 99 331 00               | 115 861 98                    | 16 530 98                      |

**Note 10 – Interfund Receivables and Payables**

The Township had the following interfund receivables and payables at March 31, 2008:

| <u>Fund</u> | <u>Interfund<br/>Receivable</u> | <u>Fund</u>            | <u>Interfund<br/>Payable</u> |
|-------------|---------------------------------|------------------------|------------------------------|
| General     | 758 39                          | Library                | 758 39                       |
| General     | 301 33                          | Current Tax Collection | 301 33                       |
| Total       | <u>1 059 72</u>                 | Total                  | <u>1 059 72</u>              |

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
Year ended March 31, 2008

|  | Original<br>Budget | Final<br>Budget   | Actual            | Variance with<br>Final Budget<br>Over<br>(Under) |
|--|--------------------|-------------------|-------------------|--|
| <b>Revenues:</b>   |                    |                   |                   |  |
| Property taxes   | 88 903 51          | 88 903 51         | 99 899 07         | 10 995 56  |
| Licenses and permits   | 6 400 00           | 7 000 00          | 6 544 62          | (455 38)   |
| State revenue sharing  | 54 900 00          | 54 900 00         | 73 171 40         | 18 271 40  |
| Charges for services:  |                    |                   |                   |  |
| Fire   | 45 457 12          | 48 457 12         | 36 811 21         | (11 645 91)                                      |
| Property tax administration                                  | 14 896 72          | 14 896 72         | 15 097 88         | 201 16   |
| Other  | 8 400 00           | 8 400 00          | 11 213 00         | 2 813 00   |
| Interest   | 9 000 00           | 9 000 00          | 21 344 77         | 12 344 77  |
| Special assessments  | -                  | -                 | 824 60            | 824 60   |
| Miscellaneous  | 35 275 00          | 40 425 00         | 43 012 83         | 2 587 83   |
| <b>Total revenues</b>  | <b>263 232 35</b>  | <b>271 982 35</b> | <b>307 919 38</b> | <b>35 937 03</b>                                 |
| <b>Expenditures:</b>   |                    |                   |                   |  |
| Legislative:   |                    |                   |                   |  |
| Township Board   | 36 550 00          | 36 550 00         | 33 126 28         | (3 423 72)                                       |
| General government:  |                    |                   |                   |  |
| Supervisor   | 7 975 00           | 7 975 00          | 6 897 39          | (1 077 61)                                       |
| Elections  | 6 500 00           | 6 500 00          | 2 720 20          | (3 779 80)                                       |
| Assessor   | 21 040 00          | 21 040 00         | 15 474 28         | (5 565 72)                                       |
| Clerk  | 13 235 00          | 13 235 00         | 12 153 95         | (1 081 05)                                       |
| Board of Review  | 1 675 00           | 1 675 00          | 1 407 54          | (267 46)   |
| Treasurer  | 12 725 00          | 12 725 00         | 11 620 72         | (1 104 28)                                       |
| Building and grounds   | 15 900 00          | 15 900 00         | 31 577 63         | 15 677 63  |
| Cemetery   | 31 400 00          | 32 200 00         | 19 609 87         | (12 590 13)                                      |
| Tax roll   | 3 200 00           | 3 200 00          | 1 832 64          | (1 367 36)                                       |
| Public safety:   |                    |                   |                   |  |
| Fire protection  | 130 831 00         | 99 331 00         | 115 861 98        | 16 530 98  |
| Planning and zoning  | 7 550 00           | 7 550 00          | 5 975 16          | (1 574 84)                                       |
| Protective inspection  | 7 600 00           | 7 600 00          | 4 840 00          | (2 760 00)                                       |
| Public works:  |                    |                   |                   |  |
| Drains   | 5 000 00           | 5 000 00          | 4 775 52          | (224 48)   |
| Street lights  | 950 00             | 950 00            | 935 02            | (14 98)  |
| Contingency  | 10 000 00          | -                 | -                 | -  |
| Capital outlay   | 2 500 00           | 2 500 00          | 2 483 70          | (16 30)  |
| <b>Total expenditures</b>                                    | <b>314 631 00</b>  | <b>273 931 00</b> | <b>271 291 88</b> | <b>(2 639 12)</b>                                |
| <b>Excess (deficiency) of revenues<br/>over expenditures</b> | <b>(51 398 65)</b> | <b>(1 948 65)</b> | <b>36 627 50</b>  | <b>38 576 15</b>                                 |
| <b>Fund balance, April 1</b>                                 | <b>51 398 65</b>   | <b>1 948 65</b>   | <b>427 992 06</b> | <b>426 043 41</b>                                |
| <b>Fund Balance, March 31</b>                                | <b>-</b>           | <b>-</b>          | <b>464 619 56</b> | <b>464 619 56</b>                                |

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

**BUDGETARY COMPARISON SCHEDULE – LIBRARY FUND**  
Year ended March 31, 2008

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>    | <u>Variance with<br/>Final Budget<br/>Over<br/>(Under)</u> |
|--|----------------------------|-------------------------|------------------|--|
| Revenues:  |                            |                         |                  |  |
| Property taxes                                       | 40 000 00                  | 40 000 00               | 45 285 07        | 5 285 07   |
| State revenue sharing                                | 1 500 00                   | 1 500 00                | 1 625 00         | 125 00   |
| Penal fines  | 5 500 00                   | 5 500 00                | 6 077 39         | 577 39   |
| Interest   | 500 00                     | 500 00                  | 1 249 02         | 749 02   |
| Miscellaneous  | <u>4 000 00</u>            | <u>4 000 00</u>         | <u>2 695 18</u>  | <u>(1 304 82)</u>  |
| Total revenues                                       | <u>51 500 00</u>           | <u>51 500 00</u>        | <u>56 931 66</u> | <u>5 431 66</u>  |
| Expenditures:  |                            |                         |                  |  |
| Culture and recreation:                              |                            |                         |                  |  |
| Library  | 56 000 00                  | 56 000 00               | 55 977 98        | (22 02)  |
| Capital outlay                                       | <u>35 500 00</u>           | <u>35 500 00</u>        | <u>-</u>         | <u>(35 500 00)</u>   |
| Total expenditures                                   | <u>91 500 00</u>           | <u>91 500 00</u>        | <u>55 977 98</u> | <u>(35 522 02)</u>   |
| Excess (deficiency) of revenues<br>over expenditures | (40 000 00)                | (40 000 00)             | 953 68           | 40 953 68  |
| Fund balance, April 1                                | <u>40 000 00</u>           | <u>40 000 00</u>        | <u>70 327 47</u> | <u>30 327 47</u>   |
| Fund Balance, March 31                               | <u>-</u>                   | <u>-</u>                | <u>71 281 15</u> | <u>71 281 15</u>   |

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2008

|                         |                  |
|-------------------------|------------------|
| Township Board:         |                  |
| Salaries                | 2 400 00         |
| Supplies                | 1 806 42         |
| Audit and legal         | 13 179 81        |
| Printing and publishing | 460 88           |
| Payroll taxes           | 3 168 78         |
| Insurance               | 9 413 00         |
| Memberships and dues    | 923 39           |
| Miscellaneous           | 1 774 00         |
|                         | <u>33 126 28</u> |
| Supervisor:             |                  |
| Salary                  | 6 800 04         |
| Miscellaneous           | 97 35            |
|                         | <u>6 897 39</u>  |
| Elections:              |                  |
| Wages                   | 1 118 00         |
| Professional services   | 1 428 42         |
| Supplies                | 80 00            |
| Printing and publishing | 93 78            |
|                         | <u>2 720 20</u>  |
| Assessor:               |                  |
| Contracted services     | 14 220 00        |
| Miscellaneous           | 1 254 28         |
|                         | <u>15 474 28</u> |
| Clerk:                  |                  |
| Salary                  | 12 040 43        |
| Miscellaneous           | 113 52           |
|                         | <u>12 153 95</u> |
| Board of Review:        |                  |
| Wages                   | 990 50           |
| Miscellaneous           | 417 04           |
|                         | <u>1 407 54</u>  |
| Treasurer:              |                  |
| Salary                  | 11 600 04        |
| Miscellaneous           | 20 68            |
|                         | <u>11 620 72</u> |
| Building and grounds:   |                  |
| Operating               | <u>31 577 63</u> |
| Cemetery:               |                  |
| Salaries                | 1 000 00         |
| Contracted services     | 17 100 60        |
| Miscellaneous           | 1 509 27         |
|                         | <u>19 609 87</u> |
| Tax roll:               |                  |
| Supplies                | 1 377 64         |
| Miscellaneous           | 455 00           |
|                         | <u>1 832 64</u>  |

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2008

|                       |                          |
|-----------------------|--------------------------|
| Fire protection:      |                          |
| Wages                 | 30 764 48                |
| Payroll tax           | 2 395 62                 |
| Insurance             | 8 404 59                 |
| Uniforms              | 134 10                   |
| Operating supplies    | 4 044 59                 |
| Fuel                  | 2 221 78                 |
| Equipment maintenance | 14 454 92                |
| Contracted services   | 43 127 36                |
| Memberships and dues  | 494 00                   |
| Telephone             | 1 090 05                 |
| Utilities             | 7 958 39                 |
| Miscellaneous         | 772 10                   |
|                       | <u>115 861 98</u>        |
| Planning and zoning   | <u>5 975 16</u>          |
| Protective inspection | <u>4 840 00</u>          |
| Drains at large       | <u>4 775 52</u>          |
| Street lighting:      |                          |
| Utilities             | <u>935 02</u>            |
| Capital outlay        | <u>2 483 70</u>          |
| Total Expenditures    | <u><u>271 291 88</u></u> |

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

LIBRARY FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2008

Library:

|                         |                 |
|-------------------------|-----------------|
| Wages                   | 16 516 25       |
| Books                   | 8 364 83        |
| Payroll taxes           | 1 263 49        |
| Rent                    | 18 364 54       |
| Repairs and maintenance | 1 112 62        |
| Supplies                | 1 629 41        |
| Dues                    | 754 64          |
| Utilities               | 5 224 24        |
| Miscellaneous           | <u>2 747 96</u> |

|                    |                         |
|--------------------|-------------------------|
| Total expenditures | <u><u>55 977 98</u></u> |
|--------------------|-------------------------|



TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

**COMBINING STATEMENT OF CHANGES IN ASSETS  
AND LIABILITIES – ALL AGENCY FUNDS**  
Year ended March 31, 2008

|   | <u>Balance<br/>4/1/07</u> | <u>Additions</u>    | <u>Deductions</u>   | <u>Balance<br/>3/31/08</u> |
|---|---------------------------|---------------------|---------------------|----------------------------|
| <b><u>CURRENT TAX COLLECTION FUND</u></b> |                           |                     |                     |                            |
| <b><u>Assets</u></b>                      |                           |                     |                     |                            |
| Cash in Bank                              | <u>158 09</u>             | <u>1 406 794 69</u> | <u>1 406 651 45</u> | <u>301 33</u>              |
| <b><u>Liabilities</u></b>                 |                           |                     |                     |                            |
| Due to other funds                        | 158 09                    | 129 149 30          | 129 006 06          | 301 33                     |
| Due to other units                        | <u>-</u>                  | <u>1 277 645 39</u> | <u>1 277 645 39</u> | <u>-</u>                   |
| Total Liabilities                         | <u>158 09</u>             | <u>1 406 794 69</u> | <u>1 406 651 45</u> | <u>301 33</u>              |
| <b><u>AGENCY FUND</u></b>                 |                           |                     |                     |                            |
| <b><u>Assets</u></b>                      |                           |                     |                     |                            |
| Cash in Bank                              | <u>5 573 14</u>           | <u>3 252 90</u>     | <u>8 826 04</u>     | <u>-</u>                   |
| <b><u>Liabilities</u></b>                 |                           |                     |                     |                            |
| Due to other funds                        | 472 12                    | 985 68              | 1 457 80            | -                          |
| Due to other units                        | <u>5 101 02</u>           | <u>2 267 22</u>     | <u>7 368 24</u>     | <u>-</u>                   |
| Total Liabilities                         | <u>5 573 14</u>           | <u>3 252 90</u>     | <u>8 826 04</u>     | <u>-</u>                   |
| <b><u>TOTALS – ALL AGENCY FUNDS</u></b>   |                           |                     |                     |                            |
| <b><u>Assets</u></b>                      |                           |                     |                     |                            |
| Cash in Bank                              | <u>5 731 23</u>           | <u>1 410 047 59</u> | <u>1 415 477 49</u> | <u>301 33</u>              |
| <b><u>Liabilities</u></b>                 |                           |                     |                     |                            |
| Due to other funds                        | 630 21                    | 130 134 98          | 130 463 86          | 301 33                     |
| Due to other units                        | <u>5 101 02</u>           | <u>1 279 912 61</u> | <u>1 285 013 63</u> | <u>-</u>                   |
| Total Liabilities                         | <u>5 731 23</u>           | <u>1 410 047 59</u> | <u>1 415 477 49</u> | <u>301 33</u>              |

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

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P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

June 19, 2008

To the Township Board  
Township of Tekonsha  
Calhoun County, Michigan

We have audited the financial statements of the Township of Tekonsha for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Tekonsha in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Tekonsha  
Calhoun County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

The Township's system of internal control is affected by the size of staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants